

## Message Text

UNCLASSIFIED

PAGE 01 DACCA 03362 290835Z

20

ACTION EB-11

INFO OCT-01 NEA-14 ISO-00 AID-20 CIAE-00 COME-00 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15 DRC-01 /158 W

----- 023913

P 261010Z JUL 74 ZDK

FM AMEMBASSY DACCA

TO SECSTATE WASHDC PRIORITY 3792

UNCLAS DACCA 3362

E.O. 11652: N/A

TAGS : EFIN, EGEN, BG

SUBJECT : FOREIGN INVESTMENT CLIMATE

REF : A. STATE 161570 B. DACCA 1576

SUGGEST FOLLOWING REVISED LANGUAGE BE SUBSTITUTED IN FULL FOR PART I, NARRATIVE SECTION, OF REF B:

I. FOREIGN INVESTMENT CLIMATE IN BANGLADESH.

A. BANGLADESH SEEKS FOREIGN PRIVATE INVESTMENT AND ADOPTED IN JULY 1974 A NEW INDUSTRIAL INVESTMENT POLICY SETTING FORTH GENERALLY THE TERMS UNDER WHICH SUCH INVESTMENT IS WELCOME. THIS RECENTLY ANNOUNCED POLICY IS PRAGMATIC AND REASONABLE AND MAY BE EXPECTED TO IMPROVE THE PRESENT INVESTMENT ENVIRONMENT WHICH HAS ATTRACTED NO SIGNIFICANT NEW FOREIGN PRIVATE INVESTMENT SINCE INDEPENDENCE IN DECEMBER 1971/

THE NEW INDUSTRIAL INVESTMENT POLICY WELCOMES FOREIGN INVESTMENT EITHER IN PARTNERSHIP WITH PUBLI-SECTOR (GOVERNMENT-OWNED) OR PRIVATE ENTERPRISES, WITH NO LIMIT ON PERCENT OF EQUITY. ALL MAJOR INDUSTRY HAS UNCLASSIFIED

UNCLASSIFIED

PAGE 02 DACCA 03362 290835Z

BEEN NATIONALIZED. PRIVATE-SECTOR FIRMS ARE ALLOWED

TO BUILD UP ASSETS TO AROUND THE EQUIVALENT OF \$4 MILLION IN VALUE. FOREIGN COLLABORATION WITH THESE FIRMS IS LIMITED TO THOSE INDUSTRIES WHERE TECHNICAL KNOW-HOW IS NOT LOCALLY AVAILABLE, TECHNOLOGY INVOLVED IS VERY COMPLICATED, OR CAPITAL OUTLAY IS HIGH AND TO INDUSTRIES BASED ON LOCAL RAW MATERIALS OR WHOLLY EXPORT-ORIENTED INDUSTRIES. TECHNICAL COLLABORATION WITHOUT EQUITY PARTICIPATION MAY BE ALLOWED IN ALL TYPES OF INDUSTRIES. ALL FOREIGN INVESTMENT PROJECTS REQUIRE THE APPROVAL OF THE INVESTMENT BOARD.

B. A MORATB IUM HAS BEEN PLACED ON FURTHER NATIONALIZATION OF ALL NEW INVESTMENT FOR 5 YEARS AFTER GOING INTO PRODUCTION. ON PAST NATIONALIZATION, THE BANGLADESH GOVERNMENT IS COMMITTED TO PROVIDE COMPENSATION, BUT A SPECIFIC COMPENSATION POLICY HAS NOT YET BEEN FINALIZED. A NUMBER OF BRITISH WD AMERICAN FIRMS HAVE FILED CLAIMS FOR COMPENSATION, BUT TO DATE THERE HAS BEEN NO OFFICIAL GOVERNMENT REACTION.

C. THE INVESTMENT POLICY ALSO PROVIDES FOR MANAGEMENT CONTRACTS WITH FOREIGN PARTNERS IN PUBLIC OR PRIVATE-SECTOR JOINT VENTURES, FOR A GIVEN PERIOD UNTIL BENGALEES ARE ADEQUATELY TRAI UD UP. THERE IS ALSO PROVISION FOR REMITTANCES OF PROFIT AND REPATRIATION OF CAPITAL, INCLUDING CAPITAL GAINS, BUT SPREAD OVER TEN YEARS. BECAUSE OF ACUTE FOREIGN-EXCHANGE CONSTRAINTS AND DELAYS IN THE FORMULATION OF A REMITTANCE POLICY, NO FOREIGN FIRMS NOW HERE HAVE YET BEEN ABLE TO REMIT PROFITS.

D. THE NEW FIVE-YEAR PLAN (FY 1974-78) PROCESSES FOREIGN INVESTORS WITH AN INCOME TAX HOLIDAY FOR FIVE YEARS ON REINVESTMENT OF THE PERCENT OF PROFIT, AND EXEMPTION FROM TAXATION FOR JOINT VENTURES WHICH EXPORT 100 PERCENT OF THEIR OUTPUT. NO REGULATIONS HOWEVER HAVE YET BEEN ISSUED GIVING LEGAL FORCE TO THESE INCENTIVES. OTHER INCENTIVES ARE OFFERED TOWARD THE ESTABLISHMENT OF INDUSTRIES THAT VARIOUSLY ARE LABOR-INTENSIVE, AGRO-PHASED, UNCLASSIFIED

UNCLASSIFIED

PAGE 03 DACCA 03362 290835Z

EXPORT-ORIENTED AND/OR IMPORT-SUBSTITUTIVE.

E. TAX, TARIFF AND SUBSIDY POLICIES AFFECTING FOREIGN INVESTMENT ARE NOT INHIBITIVE. THE LABOR POLICY PROHIBITS STRIKES IN ESSENTIAL INDUSTRIES AND PUBLIC UTILITIES. UNIONS ARE TO BE ASSOCIATED IN MANAGEMENT COUNCILS OF PUBLIC-SECTOR UNDERTAKINGS, BUT NO COUNCIL HAS YET BEEN ESTABLISHED. THE FIVE-YEAR PLAN SPEAKS

OF GOVERNMENT MECHANISMS WHICH WILL GUIDE PRICING IN PUBLIC-SECTOR INDUSTRY AND REQUIRE A SET RATE OF PROFIT TO BE PASSED TO GOVERNMENT.

F. THE MAIN DISINCENTIVE TO FOREIGN INVESTMENT IN BANGLADESH LIES NOT SO MUCH IN THE INVESTMENT POLICY PER SE AS IN THE LACK OF ORGANIZATION OF THE ECONOMY, THE CURRENT IMAGINATION IN AGRICULTURAL INDUSTRIAL AND TRADE DEVELOPMENT, GOVERNMENT PRICE AND OTHER CONTROLS, AND THE SEVERE FOREIGN EXCHANGE CONSTRAINTS WHICH LIMIT THE GOVERNMENT'S ABILITY TO AUTHORIZE PROFIT AND OTHER REMITTANCES. A NUMBER OF OIL COMPANIES HOWEVER ARE SEEKING RIGHTS TO EXPLORE LARGELY OFFSHORE. BANGLADESH IS SLOWLY LEARNING FROM THE EXPERIENCE OF ITS INITIAL HEAD-LONG PLUNGE INTO NATIONALIZATION AND THE ESTABLISHMENT OF A SOCIALIST ORDER. EFFECTIVE IMPLEMENTATION OF THE NEW INCENTIVES TO FOREIGN INVESTMENT MAY FLOW FROM GROWING PRAGMATISM AND IMPROVED ADMINISTRATION ON THE PART OF GOVERNMENT. THE US HAS PROPOSED REVIVAL OF THE OPIC AGREEMENT, AND TREATY OF FRIENDSHIP, COMMERCE, AND NAVIGATION IS UNDER CONSIDERATION. FOREIGN AID CONTINUES AT FAIRLY HIGH LEVELS.

BOSTER

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DATA, REPORTS, FOREIGN INVESTMENTS, BUSINESS FIRMS, INVESTMENT PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 26 JUL 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974DACCA03362  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740205-0188  
**From:** DACCA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740715/aaaaamrk.tel  
**Line Count:** 139  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** A. STATE 161570 B. DACCA 1576  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** martinjw  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 02 OCT 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <02 OCT 2002 by ThomasVJ>; APPROVED <21 JAN 2003 by martinjw>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** : FOREIGN INVESTMENT CLIMATE  
**TAGS:** EFIN, EGEN, BG  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005